# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

November 1, 2002

# H.R. 4939
## Veterans Medicare Payment Act of 2002

*As introduced on June 13, 2002*

## SUMMARY

H.R. 4939 would require the Secretary of Health and Human Services to transfer the amount of the annual premium for Part B of Medicare from the Supplementary Medical Insurance (SMI) Trust Fund to the Secretary of Veterans Affairs for any Medicare-eligible veteran who receives outpatient care from the Department of Veterans Affairs (VA) during a year, beginning with 2003. H.R. 4939 would also allow VA to seek reimbursement from Medicare+Choice plans for services furnished to veterans who are enrolled in a Medicare+Choice plan.

CBO estimates that enacting H.R. 4939 would increase direct spending by about $900 million in 2003 and $27 billion over the 2003-2012 period. CBO also estimates that implementing H.R. 4939 would reduce net discretionary outlays by $14 million over the 2003-2007 period, and $10 million over the 2003-2012 period, assuming appropriation actions consistent with the bill.

H.R. 4939 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4939 is shown in the following table. The costs of this legislation would fall within budget functions 570 (Medicare) and 700 (veterans benefits and services).

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| **CHANGES IN DIRECT SPENDING** | | | | | | | | | | |
| Transfer from Medicare to VA | | | | | | | | | | |
| Estimated Budget Authority | 1,631 | 1,803 | 2,095 | 2,321 | 2,689 | 2,935 | 3,326 | 3,594 | 4,029 | 4,294 |
| Estimated Outlays | 1,631 | 1,803 | 2,095 | 2,321 | 2,689 | 2,935 | 3,326 | 3,594 | 4,029 | 4,294 |
| Receipt by VA | | | | | | | | | | |
| Estimated Budget Authority | -1,631 | -1,803 | -2,095 | -2,321 | -2,689 | -2,935 | -3,326 | -3,594 | -4,029 | -4,294 |
| Estimated Outlays | -1,631 | -1,803 | -2,095 | -2,321 | -2,689 | -2,935 | -3,326 | -3,594 | -4,029 | -4,294 |
| New Spending by VA | | | | | | | | | | |
| Estimated Budget Authority | 1,631 | 1,803 | 2,095 | 2,321 | 2,689 | 2,935 | 3,326 | 3,594 | 4,029 | 4,294 |
| Estimated Outlays | 979 | 1,842 | 2,512 | 2,417 | 2,659 | 2,897 | 3,275 | 3,551 | 3,970 | 4,248 |
| Medicare Benefits | | | | | | | | | | |
| Estimated Budget Authority | -60 | -66 | -77 | -85 | -98 | -108 | -122 | -133 | -149 | -159 |
| Estimated Outlays | -60 | -66 | -77 | -85 | -98 | -108 | -122 | -133 | -149 | -159 |
| Total Changes | | | | | | | | | | |
| Estimated Budget Authority | 1,571 | 1,737 | 2,018 | 2,236 | 2,591 | 2,827 | 3,204 | 3,461 | 3,880 | 4,135 |
| Estimated Outlays | 919 | 1,776 | 2,435 | 2,332 | 2,561 | 2,789 | 3,153 | 3,418 | 3,821 | 4,089 |
| **CHANGES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | | | | | | |
| New Offsetting Collections | | | | | | | | | | |
| Estimated Authorization Level | -21 | -24 | -25 | -27 | -29 | -20 | -21 | -22 | -23 | -24 |
| Estimated Outlays | -21 | -24 | -25 | -27 | -29 | -20 | -21 | -22 | -23 | -24 |
| Spending of New Collections | | | | | | | | | | |
| Estimated Authorization Level | 21 | 24 | 25 | 27 | 29 | 20 | 21 | 22 | 23 | 24 |
| Estimated Outlays | 13 | 21 | 24 | 26 | 28 | 23 | 22 | 22 | 23 | 24 |
| Total Changes | | | | | | | | | | |
| Estimated Authorization Level | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | -8 | -3 | -1 | -1 | -1 | 3 | 1 | 0 | 0 | 0 |

## BASIS OF ESTIMATE

### Direct Spending

CBO estimates that the number of veterans eligible for Medicare and enrolled in VA's health care system will grow from about 3.3 million in 2003 to about 4.1 million in 2012. Under current law, CBO estimates that about 2.3 million (70 percent) of Medicare-eligible veterans receive outpatient care from the VA. Under current law, CBO estimates that the annual Part B premium will be $688 in 2003, rising to $1,259 in 2012.

CBO estimates the number of Medicare-eligible veterans receiving outpatient services from the VA would increase to about 3.4 million in 2012 (approximately 82 percent of total Medicare-eligible veterans). This assumption is based on the incentive H.R. 4939 provides VA to provide outpatient services to as many Medicare-eligible veterans as possible by linking VA outpatient treatment to the transfer of the entire amount of the Medicare Part B premium.

Under H.R. 4939, CBO expects that VA would be able to spend the money transferred to it from the Medicare SMI Trust Fund. Thus, CBO estimates that enacting H.R. 4939 would increase direct spending by VA by $1 billion in 2003 and $28 billion over the 2003-2012 period. CBO estimates there would be a decrease in spending by the Medicare program because an increasing number of Medicare-eligible veterans would receive outpatient care in VA facilities. However, this decrease in Medicare spending would be relatively small because many VA services are not substitutes for Medicare-covered services (for example, preventive annual physicals, prescription drugs, and long-term care). CBO estimates that enacting H.R. 4939 would decrease Medicare spending by $60 million in 2003 and $1 billion over the 2003-2012 period.

### Spending Subject to Appropriation

H.R. 4939 also would allow VA to seek reimbursement for care provided to veterans who are enrolled in a Medicare+Choice plan. The reimbursements would be deposited into the Medical Care Collections Fund (MCCF). Under current law, such amounts are considered to be offsets to discretionary appropriations and spending from the MCCF is subject to annual appropriation.

Currently, VA collects more than $600 million in reimbursements from insurance companies for care provided to veterans who are insured by those companies. Under H.R. 4939, CBO estimates that VA would collect and deposit into the MCCF an additional $21 million in 2003, $126 million over the 2003-2007 period, and $236 million over the 2003-2012 period.

Subject to annual appropriation, VA can spend the money in the MCCF to provide medical care for veterans. Assuming that appropriations of the new collections are provided, VA would spend those collections so that estimated collections and new spending authority would offset each other exactly. Outlays would lag behind collections slightly, so implementing this provision would result in net discretionary savings over the near term. CBO estimates that net outlays would decline by $8 million in 2003, by $14 million over the 2003-2007 period, and by $10 million over the 2003-2012 period—assuming appropriation actions that allow spending of all the additional MCCF collections.

## INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4939 contains no intergovernmental or private-sector mandates as defined in UMRA, and would not affect the budgets of state, local, or tribal governments.

## ESTIMATE PREPARED BY:

Federal Costs: Niall Brennan (226-9010) and Sam Papenfuss
Impact on State, Local, and Tribal Governments: Greg Waring
Impact on the Private Sector: Sally Maxwell

## ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis